



OFFICE OF PUBLIC SCHOOL CONSTRUCTION
I n t e r a g e n c y S u p p o r t D i v i s i o n

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Date: June 19, 2001

To: All School Districts and County Superintendents of Schools

Subject: **REVISED INTERIM FINANCING POLICY** (Revision to 5/22/01 policy)

On March 28, 2001, the State Allocation Board (SAB) considered amending the School Facility Program (SFP) regulations to allow "bridge financing" for financial hardship (FH) districts if their project(s) could not be funded due to low priority points or because the SAB simply had no funds to allocate to the project(s). The SAB was very concerned about FH districts overextending themselves with debt when there is no guarantee of State funding for the project(s) at a later date. As a result, the SAB made no amendments to the SFP regulations regarding this issue, but directed the OPSC to not consider certain interim financing revenue as a district contribution in accordance with existing SFP regulations.

Based on this direction, the OPSC will not consider the following financing as a district contribution if it meets all the following criteria:

- The interim financing instrument is either certificate of participation (COP), lease purchase agreement or other financing arrangement entered into for the purpose of financing eligible SFP project costs authorized in Education Code Section 17072.35 for New Construction Grants or Education Code Section 17074.25 for Modernization Grants. **Interfund borrowing that conforms with Education Code requirements is also allowable.**
- The net interim financing proceeds shall not exceed the sum of the State's portion and the FH funding portion of the district's projects that have received an "unfunded" approval by the SAB. The net interim financing proceeds shall be the amount of interim financing instrument less finance costs of issuance, debt service reserve fund, and capitalized interest costs related to the interim financing.
- The interim financing instrument must have been entered into after the district received a financial hardship approval for the phase of the project for which the district will use the financing to construct the project.

Districts are advised that the costs of issuance, debt service reserve fund, and capitalized interest costs related to the interim financing are not eligible SFP project costs pursuant to Education Code Sections 17072.35 and 17074.25 and will not be eligible for reimbursement.

Districts may use developer fees to advance a project on an "unfunded" list; however, all developer fees collected after the district's financial hardship status has been determined will be considered available as a district contribution at the time the project is considered for funding.

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